

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1212 – HB 1341

March 26, 2013

**SUMMARY OF ORIGINAL BILL:** Authorizes a metropolitan government to impose, by resolution of its governing body, a 0.025 percent fee on the sale of goods and services within central business improvement districts located in tourism development zones, for the purpose of convention recruitment, event promotion, and security. Exempts sales of the following from the fee: professional services; lodging provided to transients; tickets to sporting events or other live ticketed events; alcoholic beverages subject to the liquor-by-the-drink tax; newspapers and other publications; and overnight and long-term parking. Requires the Department of Revenue (DOR) to collect the fee concurrently with the collection of the state sales tax, and to distribute all proceeds from such fee to the metropolitan government from which the fee was collected to be deposited into the event and marketing fund of such government.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$163,200/FY13-14  
\$47,600/FY14-15 and Subsequent Years

Increase Local Revenue – Exceeds \$32,300/FY13-14  
Exceeds \$64,600/FY14-15 and Subsequent Years

**SUMMARY OF AMENDMENT (005534):** Increases the fee from 0.025 percent to 0.25 percent.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – \$163,200/FY13-14  
\$47,600/FY14-15 and Subsequent Years

Increase Local Revenue – Exceeds \$323,100/FY13-14  
Exceeds \$646,200/FY14-15 and Subsequent Years

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Assumptions for the bill as amended:

- There are three metropolitan governments in Tennessee: Nashville-Davidson County, Hartsville-Trousdale County, and Lynchburg-Moore County.
- The fiscal impact of this bill is dependent upon multiple unknown factors, such as: the number of metropolitan governments that will impose the fee, the number of tourism development zones and business improvement districts in such zones, the extent of taxable sales within such districts, and the timing of the fee imposition and future creation of tourism development zones which will include central business improvement districts.
- Due to the extent of unknown factors, a precise estimate for the local impact of this bill cannot be determined. However, based on Davidson County state sales tax collections for the period from July 2011 through June 2012 (\$904,654,873), and assuming that the fee would be imposed on at least two percent of estimated taxable sales, recurring local government revenue is reasonably estimated to exceed \$646,182 [ $(\$904,654,873 / 7.0\%) \times 2.0\% \times 0.25\%$ ]. Due to the bill's effective date of January 1, 2014, the first-year impact (FY13-14) is estimated to exceed 50 percent of the full year impact, or \$323,091 ( $\$646,182 \times 50.0\%$ ).
- According to DOR, to verify collections and the proper apportionment of fees, one additional position in Fiscal Services Division will be required. One-time costs associated with the position will be \$4,600; recurring costs will be \$47,576.
- According to DOR, there would be a one-time increase in expenditures of \$134,800 to create a new version of the sales tax return, modify apportionment software, modify taxpayer and revenue accounting in the revenue integrated tax system, create new programs, modify electronic filing portals, modify existing reports, create new reports, make registration changes, add new debit and credit notices, and modify the data warehouse. All such one-time expenditures will be incurred in FY13-14.
- The total increase in state expenditures in FY13-14 is estimated to be \$163,188 [ $(\$47,576 \times 50\%) + \$4,600 + \$134,800$ ].
- The total recurring increase in state expenditures, beginning in FY14-15, is estimated to be \$47,576.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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